

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Notice of Market-Dominant Price Adjustment --
Promotions and First-Class Mail Parcels

Docket No. R2016-5

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO
UNITED STATES POSTAL SERVICE NOTICE OF
MARKET-DOMINANT PRICE ADJUSTMENT

(June 6, 2016)

On May 16, 2016, the Postal Service filed a Notice of Market-Dominant Price Adjustment.¹ On May 18, 2016, the Commission noticed the filing and provided the opportunity to comment on whether the filing is consistent with statutory and regulatory requirements.² On May 25, 2016, Chairman's Information Request No. 1 (CHIR No. 1) was issued.³ On June 3, 2016, the Postal Service filed a notice of filing a revised library reference with revisions directly relating to the CHIR No. 1, questions 1 and 2.⁴

.The Public Representative respectfully submits the following comments.

¹ United States Postal Service Notice of Market-Dominant Price Adjustment, May 16, 2016 (Notice).

² Notice and Order on Promotions and Price Adjustment for Market Dominant Products, May 18, 2016 (Order No. 3297).

³ Chairman's Information Request No. 1, May 25, 2016. Responses were received from the Postal Service: Response of United States Postal Service to Chairman's Information Request No. 1, Questions 3-7, June 1, 2016; Response of United States Postal Service to Chairman's Information Request No. 1, Questions 1-2, June 3, 2016. A motion for late acceptance to questions 1-2 was filed: Motion of the United States Postal Service for Late Acceptance of its Response to Chairman's Information Request No. 1, Questions 1-2, June 3, 2016. .

⁴ Notice of the United States Postal Service of Filing of Revised Version of USPS-LR-R2016-5/NP1--Errata, June 3, 2016.

I. BACKGROUND

The Postal Service is seeking approval for six promotional discounts to be offered for various durations during calendar year 2017 together with price increases to correct an anomaly within First-Class Mail Parcels (FCMP). While the CY 2017 promotions are scheduled to take effect on or after January 1, 2017, the increased FCMP rates are to take effect August 28, 2016. The Postal Service asserts five of the promotions are continuations of CY 2016 promotions previously approved by the Commission in Docket No. R2016-2.⁵ A new promotion, the Direct Mail Starter Promotion has a planned promotion period of May 1, 2017 through July 31, 2017.

Promotion	Time Period	Class	R2016-2 Equivalent
Emerging and Advanced Technology Promotion	March 1–August 31 2017	First-Class Mail; Standard Mail	Emerging and Advanced Technology/Video in Print Promotion
Tactile, Sensory, and Interactive Mailpiece Engagement Promotion	February 1-July 31, 2017	Standard Mail	Tactile, Sensory, and Interactive Mailpiece Engagement Promotion
Earned Value Reply Mail Promotion	January 1-June 30, 2017	First-Class Mail; Standard Mail	Earned Value Reply Mail Promotion
Mobile Shopping Promotion	August 1-December 31, 2017	Standard Mail	Mobile Shopping Promotion
Personalized Color Transpromo Promotion	July 1–December 31, 2017	First-Class Mail	Personalized Color Transpromo Promotion
Direct Mail Starter Promotion	May 1-July 31, 2017	Standard Mail	N/A

⁵ See *generally*, Docket No. R2016-2, Order on Price Adjustments for Market Dominant Products and Related Mail Classification Changes, Order No. 2861, December 10, 2015 at 5. Those promotions included, in turn, a continuation of four promotions approved by the Commission in Docket No. 2015-4, Order on Price Adjustments for First-Class Mail Products and Related Mail Classification Changes, Order No. 2365, February 24, 2015; Docket No. R2015-4, Order on Revised Price Adjustments for Standard Mail, Periodicals, and Package Services Products and Related Mail Classification Changes, May 7, 2015.

II. COMMENTS

Price Cap Compliance. The Postal Service demonstrates that it will not utilize any of its unused price adjustment authority in this docket. The Notice showed that the Postal Service's unused pricing authority for First-Class Mail following this price change would increase to 0.412 percent from the existing unused price adjustment authority of 0.074 percent. Notice at 5, Table 1. That estimate of unused pricing authority following the price change was revised slightly downward in the Postal Service's response to CHIR No. 1. The adjustment was required due to the inclusion of final CY 2015 quality-of-service linked terminal dues rates published May 2, 2016 that resulted in revised inbound workpapers. The adjustment revised the estimate of First-Class Mail price cap usage from 0.046 to 0.076, but still well under the CPI cap space available as of the filing date.⁶ Unused pricing authority for Standard Mail will increase to 0.507 percent from 0.104 percent. Notice at 5, Table 1. The Public Representative has reviewed the Postal Services filing and agrees with the Postal Service's assertions regarding the estimated effect of the rate incentives for purposes of the price cap calculation.

Conformance with other objectives and factors in 39 U.S.C. § 3622. The Postal Service discusses how its proposed promotions assist in the achievement of the objectives and take into account the factors in 39 U.S.C. § 3622. Notice at 11-13. The Public Representative supports the Postal Service's use of its pricing flexibility to strengthen the financial position of the Postal Service by increasing the value of mail and increasing mail volume. See, e.g., 39 U.S.C. § 3622(b)(4),(b)(5), (c)(1), and (c)(7). The price adjustments to FCMP are an example of pricing flexibility (Objective 4), and by correcting a price imbalance between two products, discourage volume migration to the lower-priced product. (Objective 5). Notice at 11. They also help to raise the 112

⁶ Response to CHIR No. 1, question 1.a.ii.

percent cost coverage of FCMP to ensure it does not fall below 100 percent (Factor 2). *Id.* at 13. The Public Representative believes the proposed promotions and FMCP price adjustments are consistent with the objectives and factors in section 3622.

The several months of advance notice of the proposed promotions for CY 2017 should better enable interested persons to plan and to fully participate in the promotions.

Mail Classification Schedule (MCS). Pursuant to Rule 3010.12(b)(9), the Postal Service provides *pro forma* revisions in legislative format to the April 8, 2016 draft MCS on the Commission's website. Notice at 14 and Attachment A. The changes update the promotions for CY 2017 for First-Class Mail and Standard Mail and adjust the one-, two- and three-ounce rate cells for the "Retail" and "Keys and Identification Devices" price categories of FCMP. *Id.* The Public Representative has reviewed the proposed modifications and agrees with the proposed changes, subject to minor editorial revisions by the Commission as may be necessary or desirable.

III. CONCLUSION

The Public Representative submits the foregoing comments for the Commission's consideration.

Respectfully submitted,

Kenneth E. Richardson
Public Representative

901 New York Ave. NW, Ste 200
Washington, DC 20268-0001
202-789-6859, FAX 202-789-6861
richardsonke@prc.gov